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“Survival in the age of zero tolerance for error in customer service”

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Good afternoon.

Before I begin, I'd like to acknowledge the traditional owners of the land on which we are gathered – the Gadigal people of the Eora Nation – and pay my respects to their Elders, past and present.

I want to thank the Trans-Tasman Business Circle for inviting me to speak today, and specifically thank:

- Johnny Weiss, the founder & Managing Director.

And today's event partners:

- Andrew Cartwright, of Mastercard, and
- Greg Carroll, from Accenture.

Today I'd like to talk about how service, expectation and trust intersect in the digital age.

And about some of the related market-leading initiatives Westpac is undertaking to make the most of that critical intersection.

Customer is king

Harry Gordon Selfridge was one of the titans of 20th century retail – opening the Selfridge's department store in London in 1909.

One of Selfridge's mantras was, “The customer is always right.”

Other retailers of the period went even further.

John Wanamaker – who practically invented the department store – once said,

‘When a customer enters my store, forget me. He is king.’

Some department stores appear to have forgotten that maxim.

If they have, their timing couldn't have been worse, because if the customer was king back then, they are everything in the age of social media.

Think about how apps like Facebook, Twitter and LinkedIn have given consumers the power to crowd source opinion.

Think about how we can use TripAdvisor to plan holidays or Yelp to find the perfect restaurant, or Hey You to order your morning coffee.

Think about how a bad customer experience can now go viral – influencing the decisions of millions.

The point I am driving at is this:

The customer is still always right;

The customer is still king – or queen;

But now that customers are connected and able to broadcast their experience – they have the power to give, or take, life from a business.

There's little or no margin for error with service in this digital age.

Because the power to make or break a company's reputation literally sits in all of our pockets.

The advent of the digital business model has changed consumers' wants, needs and expectations.

Consumers want ease of service and ease of delivery, and they need it almost instantaneously.

To earn the right to succeed, therefore, businesses need to use technology to transform their operations and the customer experience.

Any company that stands against digital change – that believes they can dictate terms to customers – will quickly find themselves on the receiving end of their customers' wrath.

They will lose reputation.

They will lose customers.

They will struggle to survive.

Mobility, Culture & Trust

With that in mind I want to explore three themes that are essential for businesses of tomorrow:

1. Mobility & the future of banking,
2. Culture, and
3. Trust.

In banking we're well aware of the challenges and opportunities of the digital revolution. Indeed, digital channels now represent close to 30 per cent of Westpac's sales.

What does that tell us?

That the world we live and work in is increasingly digital and mobile.

That customer expectations have changed rapidly and radically.

That the customer is not just right, they are connected as well.

Future of banking

That means businesses have to be just as connected as their customers – always on, always ready to respond immediately.

And we need to be aware of customer trends and the potential impact.

For example, in banking over the next five or so years we are likely to see a move ...

From a dream of home ownership, to a vision of increased shared accommodation and renting;

From buying your first car, to sharing a driverless vehicle;

From paying via a credit card, to leveraging person to person value exchanges via apps;

From disaggregated services, to embedded finance within an ecosystem.

This much is clear: customers want to feel special, they value experiences, they are impatient, and they are usually highly influenced by friends.

These customer trends, which are significant, are driving the future of banking.

And that future is mobile, voice-controlled, secure and comprehensive.

In response, banks need to offer innovative services that meet customer needs, and make it easier for them to interact with us.

Innovative services like ...

Multi-layered biometric security,

Using data, analytics and artificial intelligence to provide more personal service,

Delivering digital self-service platforms that are stable, seamless and simple to use,

And using highly-skilled bankers and bots interchangeably to provide useful, seamless chat conversations to customers.

Ultimately, we have to offer services that are intuitive, easy-to-use, quick to access and contextual and personal enough to be useful.

Because if we don't, we will be left behind.

Google & Apple

For instance, the likes of Google and Apple have entered the payments field (once the exclusive domain of banks) through their digital wallets.

You may not know that Apple has restricted access for competing digital wallets to their Near Field Communication chips.

To put that in perspective: imagine what would happen if Apple refused to give Google Maps access to its GPS chip – forcing iPhone users to use Apple Maps.

These big tech companies are formidable.

Even the largest Australian company is not in the same league as a tech giant.

Apple's market cap is more than \$US800 billion. That is twice the combined market cap of Westpac, ANZ, NAB and CBA.

And this is not just paper money; Apple has more than \$US250 billion in cash reserves.

So while it's an issue, we aren't letting it get in the way of our mission to meet wants, needs and expectations.

Because Google and Apple don't have a monopoly on good ideas or service in a competitive market.

Digital Revolution

The potential for disruption is massive.

And we are only at the start of this mobile mega trend.

To survive we all need to ensure our businesses are not left behind.

To thrive we all need to strive for leadership.

As Australia's oldest company, Westpac has always been keen to lead, and prepared to disrupt ourselves to respond to the changing needs of customers.

For instance, we were the first bank to install a computer, introduce ATMs and launch internet banking.

We were also the first bank in the world to allow fingerprint login to mobile banking.

But we know we're just at the beginning of this digital revolution.

The capabilities of technology and expectations of customers will increase exponentially in the next few years.

We have yet to see the full impact of data analytics, artificial intelligence, cloud and open platforms, robotics and new interactive interfaces, and ubiquitous digitisation.

That means we need to continually adapt to keep up with our customers.

But we must rapidly adapt in a time of increasing regulation and when trust in banks is waning.

In short, business as usual is not an option.

Change is required.

The question is not whether to change, but what and how to change.

As Socrates said: “The secret of change is to focus all of your energy, not on fighting the old, but on building the new.”

Culture

For me, change comes down to culture. By this, I mean the guiding principles that define an organisation’s actions.

Developing the right culture requires a respect of the organisation’s history.

A recognition that your past defines your future,

And a recognition that your culture is not just about meeting legal and regulatory requirements.

Culture is about an inherent commitment to always doing the right thing.

And it is a delicate act, where your actions need to balance:

- Caution and control and security, with
- Innovation and agility and growth, with
- Customers, regulators, Government and our people.

To achieve that balance, workplaces need to foster an environment that enables people to feel safe and truly be themselves – an environment which drives the right behaviours.

Sometimes getting the right behaviour requires additional interventions, and a disciplined operating model that encourages openness, debate, creativity and action.

Within the Consumer Bank more recently this has involved:

- A systemic review of all our products and services with a lens of both customer and conduct.

We're constantly asking our leaders and people: is there anything we need to change? How do we improve?

- Prioritising risk and compliance issues – ensuring we own and face into any issues, and resolving them with urgency and close dialogue with our regulators.
- Using our new customer advocate to give us a fresh perspective on any long dated customer issues – to make sure we are meeting today's standards on yesterday's issues.
- And introducing a Youth Network to inject thought leadership and encourage debate and collaboration, breaking down traditional hierarchies and silos – critical in building the bank of the future.

Trust

This leads me to my next point – trust.

Given this is the Trans-Tasman forum, I'd like to quote a politician from the other side of the Tasman, New Zealand's former Prime Minister, Sir John Key, who I have had the pleasure to work with.

Sir John, a former banker, was appearing at a banking event in Australia. And, I was struck by something he said:

'In New Zealand,' he said, 'the banks are actually held in quite high regard. It's not a touchstone issue.'

And Sir John went further. He said:

'Somewhere along the line, there has to be a reconnection between the banks and the public here [in Australia].'

I couldn't agree more. This fractious relationship is likely to impact the nation's prosperity. It must be fixed.

The banks have become an easy target, not fully respected for the important role they play in our economic prosperity.

We must improve our relationship with Government and regulators. It is critical to confidence, investment and our international standing.

Let me make one thing clear: I'm not saying the banks are beyond reproach.

What I'm saying is that consumers have become all powerful. Banks – along with many other institutions in society – have come under closer scrutiny.

And we've been found wanting.

Many people just don't trust the banks.

And, speaking as CEO of Westpac's Consumer Bank, that lack of trust is a real concern to me because it has the potential to undermine Australia's future prosperity.

You might be asking, how did we get to this stage?

After all, for the vast majority of Australians, banks are the places we trust to deposit our hard-earned wages.

Everyday, millions of Australians trust Westpac with their money and their financial futures. Yet we have a measurable trust gap even among those who rely on us.

So how did we get here?

The answer is simple:

We have lost a sincere connection with real Australians and what they deal with daily.

With the young couple trying to save for a deposit for a house.

With the single mother whose fridge has broken down, who has no spare cash that week to fix it.

With the retiree who has made the wrong investment decision and has to live off a lower income stream.

We lost that connection because some bankers and some banks forgot that trust is a two-way street.

There has clearly been a divergence between our customers' interests and the bank's interests.

This division is both real and perceived.

It's real, for instance, in cases where banks have provided the wrong advice and failed to immediately remedy the situation – breaching the customer's trust.

It's perceived, for instance, when the profitability that was seen as in the national interest during the Global Financial Crisis is now seen by many as a sign of the disconnection between the bank's interest and the customer's interest.

Even though around 75 per cent of that profit is distributed to Australians through their super funds, and Australia's ongoing prosperity needs strong, profitable, well-capitalised banks.

Either way, many customers now feel there is a power imbalance.

They believe the banks' success is no longer a reason to trust their bank.

In fact, the success of the banks has given rise to resentment and, in some cases, real anger.

And this resentment and anger is driving change.

We are seeing increased regulatory intervention and political scrutiny which most recently manifested in the introduction of a new federal tax on just five banks in Australia.

And this anger will not go away until the banks reconnect with consumers and restore trust.

And apologising is not enough.

We have to earn our customers' trust.

And the only way to earn trust is through action.

Service Revolution

And the priority needs to be, delivering a better service for all our customers.

A service that meets the expectations of the 21st century, where customers quickly judge your behaviour and broadcast it to the entire world in seconds.

For Westpac, earning back trust means embarking on what we call a Service Revolution.

This means not only meeting, but exceeding, customer expectations.

You see, our customers expect more.

They expect inclusiveness, transparency, accountability and fairness.

They expect their feedback to be responded to immediately, and their issues to be resolved quickly.

That's what they expect, and quite frankly, that's what they deserve.

Trust Actions

At Westpac, we're working to rebuild trust, one customer at a time, one moment at a time, by giving customers what they expect and deserve.

We've already made meaningful and practical changes.

For instance, we've removed all product sales incentives for our tellers, so they're rewarded on service.

And we've launched innovative products to help people who are under financial stress or simply want to meet the financial challenges of modern life, such as:

- Helping Australians save, through our Life and Bump accounts;
- Or helping Australians to better manage their cash flow, through our Lite product, a basic credit card with an interest rate below 10 per cent;
- Or helping to address socially important issues, through initiatives such as becoming Australia's first Dementia Friendly Bank;
- Or helping more Australians into their own homes, through our Family Pledge at St.George which lets parents use some of their spare equity in their home to help their children get into their own homes sooner.

I am a big supporter of initiatives like Family Pledge because addressing the social issue of housing affordability is something I have been concerned about for a number of years.

Getting it Right

However, rebuilding trust also requires honesty and transparency – and that means acknowledging that we haven't always done the right thing.

That is why our Getting it Right program, which our CEO Brian Hartzler recently announced, is important.

Let me explain what Getting it Right means.

As I said earlier, we are reviewing our products, processes and policies to ensure they meet community standards and are in customers' best interests.

Earlier this year, we simplified our home loan packages, making it easier for customers to access benefits like fee waivers on eligible products.

It used to be that customers had to opt in to benefits like these.

Not anymore.

Now, any applicable benefits are applied automatically.

Getting it Right is also about being vigilant in protecting our customers' finances and their data.

That's why I want to reiterate Westpac's security guarantee, which has been in place for a number of years.

This is a benefit to customers that isn't well known.

What it means is that if a customer does the right thing, but their account is compromised by internet fraud, we guarantee to repay them for any missing funds.

More to do

Still, there's always more to do.

Our customers have often told us our products are too complicated.

At the same time, customer behaviour continues to change.

As part of our review, we recognised that we had some out-dated personal transaction accounts that only allowed a certain number of free transactions per month.

These were old products, created before mobile banking existed, when people transacted in their branch perhaps once a week.

In other words, products like these are the banking equivalent of the horse-and-buggy. That's why we're taking away those old fees and limits.

From 1 November, Westpac's Consumer Bank will provide unlimited free everyday domestic transactions across all our personal accounts.

This is regardless of the number of transactions a customer undertakes, or the channel they use.

We're also capping the monthly Account Keeping Fee on all personal transaction accounts at \$5 per month.

These changes will automatically benefit 1.3 million of our most loyal customers.

These changes are all about simplicity and transparency.

We want to make banking straightforward for our customers.

We want to give our customers the best deal, automatically.

But this is just the start.

We will continue to make changes so customers can be confident that we are always working in their interests.

My commitment to all of Westpac's customers is:

We're not looking for excuses. We're looking for answers. We're looking to Get it Right.

And, if we mess up something, we will Put it Right. That means if we find a problem, we will fix it.

We will fix it because it's good for our customers and, ultimately, good for our business and the nation.

Conclusion

In conclusion, let me return to what I said earlier; trust can only be earned.

At Westpac, we are determined to rebuild trust and redefine the relationship we have with customers.

We know that our customers have choice, more choice than ever before, to meet their financial needs.

And this bank, now 200 years young, is redefining its commitment to put customers, service and trust at the centre of the relationship.

Westpac has survived through two centuries because our people have embraced change, provided innovative services, and worked to connect with their customers and the community.

Our history is service – and so, too, is our future.

We are an institution millions of Australians trust with their savings and financial future.

We want to repay that trust by acting in the customers' best interests, first and always.

After all, the customer is more than just right. The customer is everything.

Thank you for listening.